NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

CIS Congressional Information Service Washington, D.C.

Joint Committee on Taxation
November 21, 1989
JCX-74-89

ESTIMATED REVENUE EFFECTS OF CONFERENCE AGREEMENT ON REVENUE PROVISIONS OF H.R. 3299,
the Omnibus Budget Reconciliation Act of 1989

Fiscal Years 1990-1994

[Millions of Dollars]

Item	Code Section	Current-Law Expiration	1990	1991	1992	1993	1994	1990-94
A. Extension of Certain Expiring Provisions (1)								
1. Employer-provided educational assistance	Sec. 127	12/31/88	-418	-82	--	--	--	-500
2. Group legal services	Sec. 120	12/31/88	-112	-17	--	--	--	-129
3. Targeted jobs tax credit	Sec. 51	12/31/89	-36	-64	-41	-17	-10	-168
4. Mortgage revenue bonds and mortgage credit certificates	Sec. 143	12/31/89	-10	-40	-66	-67	-66	-249
5. Qualified small-issue bonds	Sec. 144	12/31/89	-7	-28	-45	-43	-41	-164
6. Business energy credits (solar, geothermal, and ocean thermal)	Sec. 46	12/31/89	-50	-31	4	2	1	-74
7. Health insurance for self-employed	Sec. 162(1)	12/31/89	-183	-98	--	--	--	-281
8. Low-income housing credit (with modifications)	Sec. 42	12/31/89	-69	-193	-249	-264	-264	-1,039
9. Research and experimentation credit (with modifications)	Sec. 41	12/31/89	-299	-287	-97	-54	-48	-785
10. Research and experimentation cost allocation rules (64% allocation; effective for taxable years beginning after August 1, 1989)	Sec. 861	(2)	-251	-206	--	--	--	-457
Subtotal, Expiring Provisions:			-1,435	-1,046	-494	-443	-428	-3,846
B. Corporate Provisions								
1. Modify treatment of distributions by certain corporations filing consolidated returns			39	88	151	207	272	757
2. Modify treatment of certain high-yield original issue discount (OID) obligations			21	46	89	124	149	429
3. Limit nonrecognition treatment when securities are received in certain section 351 transactions			164	288	289	316	359	1,416
4. Provisions relating to regulated investment companies (RICs)								
a. Require mutual funds to distribute 98% of ordinary income			50	5	5	5	5	70
b. Adjust basis for mutual fund load charge only if shareholder holds shares for required time period			22	39	18	6	4	89
c. Include dividends in income of RICs on ex-dividend date			110	20	20	20	20	190
5. Reduce built-in gain and loss threshold for sections 382 and 384			87	191	250	282	293	1,103
6. Require basis reduction for nontaxed portion of dividends on self-liquidating ("wasting") stock			6	10	11	12	13	52

J862-91

Item	1990	1991	1992	1993	1994	1990-94
7. Modify consolidated return excess loss account recapture rules to prevent shifting of basis to debt	54	69	61	52	42	278
8. Clarify Treasury regulation authority relating to bifurcation of an instrument into debt and equity portions (section 385)(3)	3	3	3	3	3	15
9. Require reporting to IRS of acquisitions and recapitalizations(3)	3	3	3	3	3	15
10. Require corporate estimated tax payments on tax liabilities for certain S corporation income(3)	25	3	3	3	3	37
11. Limit interest deductions for earnings-stripping payments to related tax-exempt parties	25	34	39	42	43	183
12. Limit net operating loss carrybacks attributable to interest expense in certain circumstances	226	406	420	384	343	1,779
C. Employee Benefit Provisions						
1. Employee stock ownership plans (ESOPs)						
a. Repeal partial exclusion for interest paid on ESOP loans if ESOP owns no more than 50% of the employer's stock (section 133).	1,005	1,307	1,686	2,041	2,415	8,454
b. Limit deduction for dividends used to make loan payments to dividends on employer securities acquired with the loan proceeds (section 404(k))	54	74	99	123	145	495
c. Impose 3-year holding period on seller to be eligible for tax-free rollover (section 1042)(3)	3	3	3	3	3	15
d. Repeal special ESOP contribution limit (section 415(c)(6))	15	25	30	35	40	145
e. Repeal assumption of estate tax liability by an ESOP (section 2210)	3	3	3	3	3	15
f. Repeal ESOP estate tax deduction (section 2057)	42	142	21	10	10	225
g. Repeal special ESOP net operating loss rule (section 382(l)(3)(C))(3)	3	3	3	3	3	15
2. Limit contributions to pension plans for retiree medical benefits (section 401(h) accounts)	60	120	150	175	200	705
D. Foreign Provisions						
1. Conform tax years of controlled foreign corporations and foreign personal holding companies to the tax years of certain U.S. shareholders (with one-month exception)	45	67	67	67	32	278
2. Resource income to prevent avoidance of foreign tax credit limitation	20	37	41	45	49	192
3. Improve information reporting by U.S. subsidiaries and branches of foreign corporations	50	71	73	78	83	355
4. Repeal transition rule for certain high withholding tax interest	10	12	9	4	1	36
E. Excise Tax Provisions						
1. Aviation excise taxes						
a. Suspend Airport and Airway Trust Fund tax reduction trigger	851	565	--	--	--	1,416
b. Modify collection period of airline ticket tax	112	-54	2	2	2	64
c. Increase air passenger international departure tax from $3.00 to $6.00 per person	44	89	94	100	106	433
2. Impose $3.00-per-passenger tax on international departures by commercial ships	4	7	8	8	8	35
3. Impose Oil Spill Liability Trust Fund petroleum tax at $0.05/barrel (cap at $1 billion), without waiting for authorizing legislation	106	205	189	201	122	823
4. Impose tax on ozone-depleting chemicals subject to the Montreal Protocol	489	691	784	1,059	1,309	4,332
5. Accelerate deposit requirement for collection of gasoline excise tax	138	4	1	2	5	150
6. Modify taxation of bulk cigar imports	(4)	(4)	(4)	(4)	(4)	(5)

Item	1990	1991	1992	1993	1994	1990-94
F. Like-Kind Exchanges						
1. Restrict like-kind exchange basis-shifting techniques between related parties	100	120	130	140	151	641
2. Treat foreign and domestic real property as not like-kind	3	7	8	9	10	37
G. Accounting Provisions						
1. Repeal remaining portion of completed contract method of accounting	171	390	262	116	28	967
2. Provide "10-percent method" for percentage of completion method of accounting for long-term contracts	-62	-89	-43	-26	-11	-231
3. Modify treatment of costs of acquiring franchises, trademarks, and trade names	59	121	161	192	213	746
H. Employment Tax Provisions						
1. Impose income tax withholding on the wages of certain agricultural workers	270	68	21	22	23	404
2. Payroll tax deposit speedup ($100,000 threshold)	2,450	150	-750	100	1,150	3,100
I. Miscellaneous Provisions						
1. Include punitive damages for non-physical injury in income (section 104)	3	5	6	6	7	27
2. Tax pre-contribution gain on certain in-kind partnership distributions	6	15	22	26	30	99
3. Treat cellular telephones and other similar telecommunications equipment as "listed property"	2	10	14	18	24	68
4. Deny retroactive certification of WIN credit	38	28	12	--	--	78
5. Deny amortization of life estate in related-party joint purchase	3	5	9	14	22	53
6. Require reporting of mortgage points by lender	--	--	2	5	5	12
7. Modify treatment of investment-oriented life insurance contracts	(6)	(6)	1	1	1	3
J. Tax-Exempt Bond Provisions						
1. Impose restrictions on hedge bonds	2	3	7	11	15	38
2. Expand 6-month exception to tax-exempt bond arbitrage rebate rules	-8	-16	-24	-28	-33	-109
K. Modifications to the Corporate Alternative Minimum Tax						
1. Adjusted current earnings (ACE)						
a. Eliminate book backstop	-388	-590	-575	-538	-560	-2,650
b. Allow DRD from ACE for 80% or more stock ownership	-5	-7	-6	-5	-5	-28
c. Allow DRD from ACE for 20%-80% stock ownership	-15	-24	-20	-17	-14	-90
d. Exclude certain cooperative foreign sales corporations (FSCs) from ACE	-2	-3	-3	-3	-3	-14
e. Other ACE changes(3)	-3	-3	-3	-3	-3	-15
2. Other minimum tax changes						
a. Allow residential construction firms to use CCM for AMT	--	-5	-5	-5	-5	-20
b. Eliminate individual R&E preference for all non-corporate entities if material participation by owner/partner	--	-4	-14	-14	-14	-46
c. Permit certain corporations with 100% foreign income to use 100% of foreign tax credits for AMT purposes	-2	-5	-5	-5	-5	-22
d. Allow carryover of orphan drug credit for minimum tax purposes	-1	-2	-1	-1	--	-5
e. Allow exclusion preferences as credits	--	-24	-61	-92	-119	-296
L. Revision of Civil Penalties						
Penalty Reform	--	-51	-82	-58	-25	-216

Item	1990	1991	1992	1993	1994	1990-94
M. Repeal Financial Institution (FSLIC & FDIC) Tax Benefits (P.L. 101-73) (7)	568	31	351	310	213	1,473
N. Technical Corrections						
1. Technical corrections without revenue effects	--	--	--	--	--	---
2. Pension technical correction exempting fully-funded plans from variable PBGC premium	-10	-10	-10	-10	-10	-50
3. Technical corrections with revenue effects						
a. Marital deduction for property passing to noncitizen spouses	-5	-12	-11	-7	-7	-42
b. Coordinate foreign tax credit and tax on lump-sum distributions	(4)	(4)	(4)	(4)	(4)	(5)
GRAND TOTALS	5,628	3,638	3,524	5,133	6,738	24,662

---

(1) Expiring provisions 1, 2, 3, 4, 5, and 6 are extended through 9/30/90; expiring provisions 7, 8, and 9 are extended for a 9-month prorated portion of a year; and expiring provision 10 is extended for the taxpayer's first taxable year beginning after 8/1/89 for a single 9-month period to be prorated on the tax return for that year.
(2) Rules expire 4 months after start of a firm's first tax year beginning after 8/1/87.
(3) For the purpose of this table, items previously estimated as less than $5 million are assigned an arbitrary amount of $3 million.
(4) Negligible loss.
(5) Total is not available for estimates represented by footnotes.
(6) Negligible gain.
(7) Estimate reflects net budget effects (including outlay effects as estimated by the Congressional Budget Office).